Emphasising selection/placement/rotation of staff to check bank frauds

*457. SHRI O.P. KOHLI: Will the Minister of Finance be pleased to state:

(a) whether the Deputy Governor of Reserve Bank of India recently stated that large number of cases of frauds involving senior staff at branch level have taken place and stressed for the care in the selection, placement and rotation of staff and to strengthen the internal control systems in the banks;

(b) if so, the details of fraud cases and the action taken against the officers involved;

(c) the action taken to direct private sector banks to follow the emphasis in selection, placement and rotation of their staff; and

(d) the action taken by public/private sector banks to strengthen the internal control systems in their banks?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (d) Reserve Bank of India (RBI) have reported that Shri S.P. Talwar, Deuty Governor, RBI had inter-alia stated at the 49th Annual General Meeting of the Indian Banks Association that in the light of increasing involvement of senior staff at the branch level in the frauds in banks, the efficacy of involvement of controlling officials in the activities they control and the area of selection, placement and rotation of staff should be examined.

The information readily available relating to total number of frauds in public sector banks, amount involved and action taken against the delinquent employees during 1995 is given below:—

Number of Frauds	:	1890
Amount involved	:	Rs. 115.51 crores
Convicted	:	33
Awarded major/ minor penalties	:	1158
Dismissed/ discharged/removed	:	300

RBI had advised all banks including private sector banks to take suitable steps to transfer their officials at reasonable intervals. Banks were also advised in the past to verify the antecedents of all persons selected for appointment in the banks. The banks have also been instructed to review and refine their sys'ems and proceures and adequacy or otherwise of internal inspection/audit machinery to prevent recurrence of frauds. At the instance of Govt., RBI appointed a high level Committee (Ghosh Committee) to enquire into various aspects relating to frauds and malpractices in banks. Most of the recommendations of the Committee were advised to banks in 1992 for immediate implementation. The banks have been advised to institute a system of concurrent audit covering branches accounting for 50% of the bank's business. RBI has also been vigorously following up with the banks for improving their housekeeping functions especially in the area of balancing of books and reconciliation of inter-branch and inter-bank entries. Deficiencies observed in the sytems and procedures and internal control mechanism during periodical inspections conducted by RBI are brought to the notice of banks concerned for remedial action.

Amount of Articles seized/confiscated on indo Bangladesh border

*458. SHRI JOYANTA ROY: Will the Minister of FINANCE be pleased to state:

(a) the amount of articles like cattle, cloth, electronic goods etc., which were seized and confiscated on the Indo-Bangladesh border which falls in the district of Murshidabad, West Bengal during the years 1994-95, and 1995-96; and

(b) whether Government have any future plan to open bilateral trade on the said border with Bangladesh?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) and (b) The quantity and value of cattle, cloth and electronic goods seized and confiscated on the Indo-Bangladesh Border in district of Murshidabad, West Bengal during the years 1994-95 and 1995-96 are as follows:—